

Introduced by Senator Kehoe

February 18, 2005

An act to amend Section 97.73 of the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 568, as introduced, Kehoe. Property tax revenue allocations: nonenterprise special districts.

(1) Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing law requires the auditor to reduce, for the 2004–05 and 2005–06 fiscal years, the total amount of property tax revenue that is otherwise required to be allocated to an enterprise and a nonenterprise special district, as defined, by an amount calculated by the Controller pursuant to a specified formula. Existing law requires that the total statewide amount of these reductions for each of those fiscal years equal \$350 million.

The California Constitution prohibits the Legislature from enacting a statute that changes the manner in which property tax revenues are allocated so as to reduce the percentage of property tax revenues that are allocated in a county among all local agencies, as defined, below the percentage of those revenues that were so allocated under the law in effect on November 3, 2004, as specified.

This bill would specify that, for the 2005–06 fiscal year, a nonenterprise special district does not include a local health care district, as specified. This bill would also require the Controller to implement this change in a manner that ensures that the statewide total reductions for all special districts for that fiscal year equal \$350,000,000, as specified, and that the percentage of ad valorem property tax revenue that is allocated among all local agencies in a county for that fiscal year is not less than the percentage of those revenues that were so allocated for the 2004–05 fiscal year.

By imposing new duties on county auditors in allocating property tax revenues for the 2005–06 fiscal year, this bill would impose a state–mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 97.73 of the Revenue and Taxation
2 Code is amended to read:
3 97.73. Notwithstanding any other provision of law, for each
4 of the 2004–05 and 2005–06 fiscal years, all of the following
5 apply:
6 (a) (1) (A) The total amount of ad valorem property tax
7 revenue, other than those revenues that are pledged to debt
8 service, otherwise allocated for each of those fiscal years to each
9 nonenterprise special district shall be reduced by 10 percent of
10 the amount of ad valorem property tax revenue of the district for
11 the 2001–02 fiscal year, as reported in the 200102 edition of the
12 State Controller’s Special Districts Annual Report.

(B) (i) Notwithstanding subparagraph (A), for the Laguna Niguel Community Service District in the County of Orange, the reduction described in subparagraph (A) shall be 4 percent rather than 10 percent.

(ii) If the district described in clause (i) is not dissolved before July 1, 2006, for each of the 2006–07 and 2007–08 fiscal years, the auditor shall reduce the total amount of ad valorem property tax revenue, other than those revenues that are pledged to debt service, otherwise allocated to that district for each of those fiscal years by 6 percent of the amount of ad valorem property tax revenue of the district for the 2001–02 fiscal year, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report.

(C) If a nonenterprise special district is located in more than one county, the auditor of each county in which that nonenterprise special district is located shall implement that portion of the total reduction, required by subparagraph (A) with respect to that district, determined by the ratio of the amount of ad valorem property tax revenue allocated to that district from the county to the total amount of ad valorem property tax revenue allocated to that district from all counties.

(2) The Controller shall determine the amount of the ad valorem property tax revenue reduction required by paragraph (1) for each nonenterprise special district in each county and notify the Director of Finance of these amounts on or before October 25, 2004.

(b) That amount of ad valorem property tax revenue that is not allocated to a nonenterprise special district as a result of subdivision (a) shall instead be deposited in the county Educational Revenue Augmentation Fund and shall be allocated as specified in subdivision (d) of Section 97.3.

(c) For purposes of this section, all of the following apply:

(1) (A) “Nonenterprise special district” means a special district that engages solely, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report, in nonenterprise functions, and a qualified special district as defined in Section 97.34.

(B) Notwithstanding any other provision of law, “nonenterprise special district” does not include any of the following:

1 (i) A fire protection district that was formed under the Shade
2 Tree Law of 1909 set forth in Article 2 (commencing with
3 Section 25620) of Chapter 7 of Division 2 of Title 3 of the
4 Government Code.

5 (ii) A police protection district formed pursuant to Part 1
6 (commencing with Section 20000) of Division 14 of the Health
7 and Safety Code.

8 (iii) A fire protection district formed under the Fire Protection
9 District Law of 1987 (Part 2.7 (commencing with Section 13800)
10 of Division 12 of the Health and Safety Code) or a fire protection
11 district formed under the Fire Protection District Law of 1961, or
12 any of its statutory predecessors, and that existed on January 1,
13 1988.

14 (iv) Any library special district, including, but not limited to,
15 the following:

16 (I) A county free library system established pursuant to Article
17 1 (commencing with Section 19100) of Chapter 6 of Part 11 of
18 Division 1 of Title 1 of the Education Code.

19 (II) A unified school district and union school district public
20 library district established pursuant to Chapter 3 (commencing
21 with Section 18300) of Part 11 of Division 1 of Title 1 of the
22 Education Code.

23 (III) A library district established pursuant to Chapter 8
24 (commencing with Section 19400) of Part 11 of Division 1 of
25 Title 1 of the Education Code.

26 (IV) A library district in unincorporated towns and villages
27 established pursuant to Chapter 9 (commencing with Section
28 19600) of Part 11 of Division 1 of Title 1 of the Education Code.

29 (v) A memorial district formed pursuant to Article 1
30 (commencing with Section 1170) of Chapter 1 of Part 2 of
31 Division 6 of the Military and Veterans Code.

32 (vi) A mosquito abatement district or a vector control district
33 formed pursuant to Chapter 1 (commencing with Section 2000)
34 of Division 3 of the Health and Safety Code, or any predecessor
35 to that law.

36 (vii) The Glenn County Pest Abatement District and the East
37 Side Mosquito Abatement District formed pursuant to Chapter 8
38 (commencing with Section 2800) of Division 3 of the Health and
39 Safety Code.

(viii) *A local health care district as described in Division 23 (commencing with Section 32000) of the Health and Safety Code. Concurrent with applying this exemption for the 2005–06 fiscal year, the Controller shall determine the amounts described in paragraph (2) of subdivision (a) of Section 97.72 in a manner that ensures both of the following:*

(I) That the total amount of reductions for that fiscal year for all special districts under this section and Section 97.72 equals three hundred fifty million dollars (\$350,000,000).

(II) That the percentage of ad valorem property tax revenue that is allocated among all local agencies in a county for that fiscal year is not less than the percentage of those revenues that were so allocated for the 2004–05 fiscal year.

(2) With respect to a nonenterprise special district that performs, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, “the amount of ad valorem property tax revenue of the district for the 2001–02 fiscal year” does not include ad valorem property tax revenue of that district for fire protection or police protection nonenterprise functions, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report.

(3) With respect to a nonenterprise special district formed pursuant to Article 3 (commencing with Section 5500) of Chapter 3 of Division 5 of the Public Resources Code that performs, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, “the amount of ad valorem property tax revenue of the district for the 2001–02 fiscal year” does not include total expenditures net of total revenues by that district for fire protection or police protection nonenterprise functions, as reported in the 2001–02 edition of the State Controller’s Special Districts Annual Report.

(4) For purposes of this section, “revenues that are pledged to debt service” includes only those amounts required as the sole source of repayment to pay debt service costs in the 2002–03 fiscal year on debt instruments issued by a nonenterprise special district for the acquisition of fixed assets. For purposes of this paragraph, “fixed assets” means land, buildings, equipment, and improvements, including improvements to buildings.

(d) For the purposes of this section, if a special district’s financial transactions do not appear in the 2001–02 edition of the State Controller’s Special Districts Annual Report, the Controller shall use the most recent data available for that district.

(e) For the 2005–06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, shall not reflect, for a preceding fiscal year, any portion of any allocation required by this section.

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide immediate fiscal relief to local health care districts to enable them to provide critical services to preserve the public peace, health, and safety, it is necessary that this act take effect immediately.